

State of Rhode Island
Department of Administration

INTER-OFFICE MEMORANDUM

Office of Accounts and Control

TO: Chief Finance Officers

DATE: February 23, 2007

FROM: Lawrence C. Franklin, Jr., State Controller

**SUBJECT: Revised Cellular Telephone Policy
CFO 07-44**

Procedure A-54, the policy and procedures associated with state provided telecommunication devices and services, has been revised.

The revision addresses the taxability of employer-provided telephone devices and services. A new annual reporting procedure is required, similar to that used for employer-provided vehicles, to report the amount paid by the state for telephone services that is a taxable fringe benefit to employees.

Another revision establishes a new method to calculate the amount to reimburse the state for personal cellular telephone usage.

The last revision allows employees to accumulate a "material" amount owed for personal telephone calls before reimbursement is due and payable.

Please communicate this new policy to affected employees within your agency. Contact me with any questions you have concerning this subject matter.

LCF/nas

cc: Chief Payroll Officers

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1. PERSONAL TELEPHONE CALLS

The use of the State's land-based telephone system, cellular phones or pagers for personal calls, displaces business calls. When excessive time is spent on personal calls the State's business goals and purposes are compromised. These policies and procedures apply to employees' use of any of these State provided telecommunication devices, and regulate employees' use of state owned cellular phones, pagers, and calling cards as well as their use of personal cellular phones and pagers during work hours. Employees are expected to take care of their personal business during non-working hours. Accordingly, personal phone calls that are not of an emergency nature must be held to a minimum and must not interfere with the State's business. Employees are required to reimburse the State for the full cost of all long distance and toll calls, cellular phone calls and calling card telephone calls of a personal nature that are made using state-provided telephones, cellular phones or calling cards.

2. CELLULAR PHONES, PAGERS AND CALLING CARDS

Certain State employees may be provided with state-owned (or rented) cellular phones and/or pagers or calling cards if the business goals and purposes of the State will be furthered. Also, some employees may be provided with state-paid telephone service at their homes if needed. Some state employees may also own personal cellular phones and/or pagers or calling cards. Accordingly, the following policies and procedures regulate employees' use of state owned cellular phones, pagers and calling cards, as well as their use of personal cellular phones and pagers during work hours.

3. STATE POLICIES AND PROCEDURES

3.1 State-Owned Cellular Phones, Pagers and Calling Cards

Employees who are issued state-owned cellular phones and/or pagers are required to keep the units turned on and the batteries charged, and must carry them at all times when on duty or on call. Employees must reimburse the State for all non-business phone calls.

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On a monthly basis, the State will provide each employee who has been issued a state-owned cellular phone, pager or calling card, a copy of his/her individual phone bill. The employee will be required to identify all non-business phone calls, and must reimburse the State for the total cost of all non-business phone calls.

Employees must return any state-owned cellular phones and/or pagers at the request of their supervisors or when their employment is terminated.

3.2 Personal Cellular Phones and Pagers

Using personal cellular phones or responding to personal pagers during work hours may adversely affect your job performance and the State's business goals and purposes. Therefore, state employees are permitted to use personal cellular phones and/or pagers while at work on a limited basis to avoid interference with the performance of his or her job functions.

If an employee uses a personal cellular phone in the performance of his or her job function, they may seek reimbursement for such usage from the state. The rates of reimbursement are calculated as in paragraph 5.2.

4. RESIDENTIAL TELEPHONE SERVICE

Certain state employees may be provided with state-paid telephone service at their homes to further the business purpose and goals of the state. The Chief Information Officer must approve residential telephone service pursuant to a policy memorandum dated September 22, 1997.

5. REIMBURSEMENT PROCEDURES

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5.1 From Employees

No later than fifteen days after the end of each billing cycle, the employee shall review the bill(s) for each type of telecommunication device or service used by him/her during the billing cycle and mark his/her personal calls.

Most cellular phone billing plans offer an established number of minutes of usage during a billing period for one monthly fee. A higher per minute rate is charged if the actual number of minutes of usage exceeds the established allotment of time under the particular billing plan.

Any personal calls made during a billing period will be reimbursed at a per-minute rate calculated as follows:

EXAMPLE #1: The state provides a state-owned cell phone to an employee. The cell phone plan allows a total of 500 minutes of talk time per month for a flat monthly fee of \$49.99. An employee uses 100 minutes for personal use and the total minutes used for the billing period is 450 minutes (both personal and business). The employee should reimburse the state for the 100 minutes of personal use at the rate of \$0.10 per minute, for a total of \$10.00. The amount of reimbursement is calculated as follows: \$49.99 divided by total minutes of 500 equals a per-minute rate of \$0.10. The total personal minutes for the billing period equals 100 multiplied by the per-minute rate of \$0.10, equals a total of \$10.00.

EXAMPLE #2: The state provides a state-owned cell phone to an employee. The cell phone plan allows a total of 500 minutes of talk time per month for a flat monthly fee of \$49.99. An employee uses 150 minutes for personal use, and total usage is 550 minutes for the billing period. The total billed for this month is \$74.99. The employee should reimburse the state for the 150 minutes of personal use at the rate of \$0.14 per minute, for a total of \$21.00. The amount of reimbursement is calculated as follows: \$74.99 divided by total minutes of 550 equals a per-minute rate of \$0.14. The total personal minutes for the billing period equals 150 multiplied by the per-minute rate of \$0.14, equals a total of \$21.00.

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For other types of billing or rate plans, the employee must reimburse the State for the actual total amount billed for non-business calls.

He/she shall complete the telecommunications reimbursement report and shall issue a check or money order, payable to "General Treasurer, State of RI," for the sum total of personal calls, including applicable taxes, fees and surcharges appearing on the bills reviewed to the business office of his/her department/agency. The business office shall deposit all reimbursements as expenditure credits against the account and budget code that originally incurred the charges.

The employee can forego submitting monthly reimbursement amounts and write a check to the state once the cumulative amount due from the employee at any time reaches \$25 or more. Once the cumulative amount due from the employee equals or exceeds \$25.00, the employee shall reimburse the state for the total amount due. If the cumulative amount due from the employee does not equal \$25, then the employee shall reimburse the state at least once per fiscal year. The employee must still complete and submit the telecommunications report each month.

5.2 To Employees

The employee shall review the bill(s) for personal telecommunication devices and mark his/her business calls. The employee shall attach whatever certification and explanation of each call that his/her business office may require. The business office will prepare the payment voucher and submit it to the Office of Accounts and Control for payment.

Any business calls made during a billing period will be reimbursed to the employee by dividing the total used minutes (business and personal) into the total amount billed for the billing period irrespective of the fact that business usage minutes caused the allotted minutes to be exceeded. The basis for this policy are the following presumptions: One, use of a personal cell phone for business calls is voluntary by the employee. Two, that such voluntary usage will be de minimis.

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6. TAXATION

The value of employer-provided telecommunication devices/services used by State employees for **personal use** are fringe benefits and must be included in wages for Income Tax and Social Security tax purposes. However, when the employee pays the employer the fair market value for the personal use of such, no income results to the employee. Partial payment reduces the employee's income by the amount of the payment. The amount added to wages is not considered salary for the purposes of computing retirement benefits. The business use of state paid telecommunication devices/services is not taxable to the employee.

DEPARTMENT OR AGENCY RESPONSIBILITY

ATTENTION: Each employee that is assigned a state telecommunication device or services will have to complete one form, the "Annual Statement of Personal Usage for State Provided Telecommunication Devices" (A-54). This form is used by the Office of Accounts and Control to report on W-2 forms the value of telecommunication services as an employee fringe benefit.

Provide a copy of A-54 to all employees who are assigned a state-owned cellular telecommunication devices or services. This form must be completed and submitted by each active employee to whom telecommunication services/devices is/are provided. The employee to whom the service/device is provided must complete, sign and date each form.

Two copies of the A-54 form are to be returned by the employee to the department or agency payroll office ***on or before the deadline specified in an annual memorandum issued by the State Controller***. The department or agency payroll office shall forward one copy to the Office of Accounts and Control, Payroll Audit Section, One Capitol Hill, Providence, RI 02908-5883, ***on or before the deadline specified in an annual memorandum issued by the State Controller*** and retain one copy.

The taxable fringe benefit amount (telecommunication services), as reported on the completed A-54 form shall be entered on the payroll master file by the Office of Accounts and Control and will be reported in the "fringe benefit" column of the Payroll Attendance

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Report (Form A-80), on a pay period ending date -- *to be specified in an annual memorandum issued by the State Controller.*

Federal Tax Liability

Under IRS regulations, the value of personal use of an employer-provided telecommunication device/service must be included in the employee's gross pay and is taxable for income and social security purposes. Employees are required to keep records substantiating the personal use and the business use of the service/device. **If the employee does not maintain substantiation for personal usage, then all usage is to be considered personal and the full value of the state paid telecommunication device/service is taxable to the employee.**

Even if an individual is exempt under state policy from the state reimbursement requirement, the amount of benefit that is added to an employee's gross pay is still considered a taxable fringe benefit for IRS purposes. However, the reimbursement to the State can reduce the value of personal use of the employer-provided telecommunication device/service by the amount of reimbursement.

7. ENFORCEMENT

Any employee who violates this policy related to the use and/or reimbursement of state-provided telecommunication devices may be subject to disciplinary action. Repeated or continued violation of this policy may lead to termination of employment.

The Cellular Telephone Reimbursement Report and the Annual Statement of Personal Usage for State Telecommunication Device/Service Form (A-54) is available from the Office of Accounts and Control web site (<http://controller.doa.state.ri.us>).